

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

December 10, 2002

IN RE:

TARIFF FILING OF UNITED TELEPHONE-
SOUTHEAST, INC. TO REDUCE RATES IN
ACCORDANCE WITH 2002 PRICE
REGULATION FILING

)
)
)
)
)
)

DOCKET NO.
02-01161

ORDER APPROVING PRICE REGULATION FILING
BY UNITED TELEPHONE-SOUTHEAST, INC.

This matter came before Director Deborah Taylor Tate, Director Pat Miller, and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on November 4, 2002, for consideration of United Telephone-Southeast's ("UTSE") 2002 Annual Price Regulation (or "price cap") Filing (the "Filing").

UTSE's Filing

On October 15, 2002, UTSE submitted its 2002 Filing for approval by the Authority. This filing represents UTSE's calculations of its 2002 Price Regulation Index ("PRI") and Service Price Index ("SPI") pursuant to Tenn. Code Ann. § 65-5-209 and the price regulation methodology stipulated to and approved by the Authority in *In Re: United Telephone Southeast, Inc. Tariff No. 96-201 to Reflect Annual Price Cap Adjustment*, Docket No. 96-01423.¹ As a

¹ See *In Re: United Telephone-Southeast, Inc. Tariff No. 96-201 to Reflect Annual Price Cap Adjustment*, Docket No. 96-01423, *Order Approving in Part and Denying in Part Tariff No. 96-201* (September 4, 1997).

result of the annual indexing, UTSE's Filing includes a proposed tariff to reduce rates for basic local exchange telephone services ("basic services") by \$120,000.² UTSE is not proposing any changes to rates for non-basic services.³

After applying the indexing formula set forth in Tenn. Code Ann. § 65-5-209 and the price cap methodology adopted by the Authority in Docket No. 96-01423, UTSE's price cap calculations indicate that UTSE's current rates for non-basic services produce less than the maximum allowed revenues. For non-basic services, UTSE has approximately \$1,300,000 in available headroom, meaning that UTSE would be permitted under the approved methodology to increase rates for non-basic services by \$1,300,000.⁴ However, UTSE is not proposing any rate increases for non-basic services at this time. UTSE's current rates for basic services generate \$120,000 more than allowed under the statutory indexing formula and the approved methodology. Accordingly, UTSE's Filing effects rate reductions for residential service orders to lower revenues to comply with the statutory revenue cap for basic services.

Findings

After careful review of the record in this matter, the Authority finds and concludes that UTSE's Filing, including the proposed tariff to reduce rates for basic services, should be approved. The Authority finds that UTSE's Filing complies with Tenn. Code Ann. § 65-5-209 and the approved price cap methodology. At the November 4, 2002 Authority Conference, upon review of the Filing and of the entire record in this matter, the voting panel unanimously approved UTSE's Filing.


² UTSE's Filing reduces service ordering (installation) charges from \$22.20 to \$19.25 and reduces the non-recurring charge to change telephone numbers from \$30.00 to \$21.00.

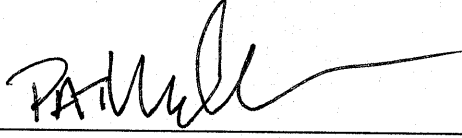
³ "Basic local exchange telephone services" and "non-basic services" are defined in Tenn. Code Ann. § 65-5-208(a).

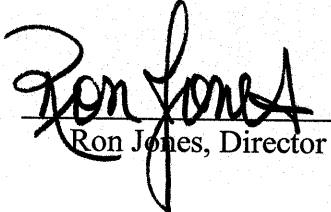
⁴ Headroom represents the difference between actual aggregate revenues and aggregate revenues allowable under the formula set forth in Tenn. Code Ann. § 65-5-209(e).

IT IS THEREFORE ORDERED THAT:

1. United Telephone-Southeast's Computation of its Price Regulation Index and Service Price Index, filed on October 15, 2002, is approved.
2. United Telephone-Southeast's tariff to reduce rates for basic services is approved.


Deborah Taylor Tate, Director


Pat Miller, Director


Ron Jones, Director